

Message Text

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ACTION EB-03

INFO OCT-01 ARA-10 EA-07 ISO-00 FEA-01 AEC-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01

INR-10 INT-01 L-02 NSAE-00 NSC-07 OMB-01 PM-03 RSC-01

SAM-01 SCI-03 SP-02 SS-14 STR-01 TRSE-00 FRB-01 PA-01

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FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 6243
INFO AMEMBASSY TOKYO

UNCLAS CARACAS 10109

E. O. 11652: N/A

TAGS: ENRG, VE

SUBJECT: VENEZUELAN REACTION TO PRESIDENT FORD'S OIL
CONSERVATION PROGRAM FOR 1975

1. PRESIDENT FORD'S ECONOMIC MESSAGE OF OCTOBER 8, ESTABLISHING A GOAL OF REDUCING PETROLEUM IMPORTS BY ONE MILLION B/D BY THE END OF 1975, WAS PROMINENTLY FEATURED IN THE CARACAS PRESS. MINES MINISTER VALENTIN HERNANDEZ' INITIAL REACTION WAS THAT MEASURE WILL REDUCE VENEZUELAN OIL EXPORTS TO U.S. BY 500,000 B/D WHEN FULLY IMPLEMENTED, BUT HE LOWERED HIS ESTIMATE TO 300,000 B/D DURING INTERVIEW ON OCTOBER 9.

2. MINISTER HERNANDEZ STATED WHAT WILL PROBABLY BE OFFICIAL GOV POSITION THAT US DECISION TO REDUCE OIL IMPORTS ACCORDS WITH VENEZUELAN CONSERVATION POLICY. VENEZUELA WISHES TO CONSERVE ITS DIMINISHING MAJOR NATURAL RESOURCE FOR FUTURE GENERATIONS BENEFIT, AND US DECISION IS INDIRECTLY OF ASSISTANCE IN ACHIEVING THAT GOAL. OTHER COMMENTS IN SUPPORT OF REDUCTION CAME FROM UNCLASSIFIED UNCLASSIFIED

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FEDECAMARAS, THE NATIONAL BUSINESS CHAMBER, AND FROM MONTIEL ORTEGA, THE LEFTIST URD SPOKESMAN.

3. THERE WAS SOME GLOATING BY AD AND MEP PARTY SPOKESMEN TO EFFECT THAT US LOST THE FIRST ROUND AND IS NOW LOOKING FOR AN ARRANGEMENT WITH OIL PRODUCERS, AND ALSO THAT US POLICY IS CONTRADICTIONARY IN THAT WE FIRST SOUGHT INCREASED WORLD OIL PRODUCTION COMBINED WITH LOWER PRICES, WHILE NOW CALLING FOR CONSERVATION. MINISTER HERNANDEZ, IN REPLY TO A REPORTER'S QUESTION, SAID HE DID NOT BELIEVE US GOAL OF REDUCING IMPORTS WAS ANOTHER ATTEMPT AT INTIMIDATION.

4. MINISTER HERNANDEZ ESTIMATED THAT 300,000 B/D DROP IN OIL EXPORTS TO US WILL COST VENEZUELA APPROXIMATELY BS 10 MILLION DAILY. THIS SHOULD NOT AFFECT 1975 BUDGET, WHICH HAS ALREADY BEEN ESTIMATED ON BASIS OF 10 PERCENT REDUCTION IN OIL PRODUCTION NEXT YEAR. PARADOXICALLY, AFTER FIRST STATING THAT REDUCTION OF EXPORTS TO US WOULD ENABLE VENEZUELA TO MEET ITS OWN CONSERVATION GOAL, MINISTER HERNANDEZ TOLD REPORTER THAT THERE IS STRONG WORLD DEMAND AND MENTIONED JAPAN AND CUBA AS ALTERNATIVE MARKETS FOR THE VENEZUELAN OIL THAT WOULD BE DISPLACED FROM THE US MARKET. PRESUMABLY HE WAS THINKING OF SITUATION IN WHICH VENEZUELAN PRODUCTION MIGHT DROP MORE THAN TEN PERCENT DURING 1975.

5. EMBASSY PETATT HAS APPOINTMENT OCTOBER 15 WITH MINISTRY OF MINES DIRECTOR OF INTERNATIONAL MARKETS FOR MORE DETAILED DISCUSSION OF THIS MATTER. FURTHER ANALYSIS WILL FOLLOW THAT DISCUSSION.
FISHER

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